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SUBJECT: UNODC FINANCE AND GOVERNANCE WORKING GROUP MEETING, OCTOBER 7, 2008, AND FOLLOW-UP CONSULTATIONS

REF: STATE 92709

SUMMARY

1. (SBU) At the first meeting of UNODC's Finance and Governance Working Group (FinGov) on October 7, delegations presented their position papers. The Secretariat distributed a paper on defining "core" activities, which the G-77 considered unsatisfactory. The G-77 and EU agreed on creating a formal mechanism for consultations on governance. The U.S., Japan, and Canada shared the view that any such mechanism should be informal. On finance, the G-77 wanted to request higher budget allocation from New York, and opposed any financial mantra. The EU seemed willing to consider the G-77 position. The U.S., Canada, and Japan took a stricter stand on finance, urging the need for "financial discipline" and the inclusion of financial mantra in UNODC resolutions. FinGov co-chairs organized follow-up consultations with key member states and Secretariat on October 9 in the hope of resolving the difference on definitions of "core" activities. At that meeting, the Secretariat noted the futility of requesting increased budget allocation from New York when the SecGen has just asked UNODC for cost savings. The co-chairs will circulate a concept paper, based on those two meetings, before the next WG meeting on October 23-24. Given the realities of the Vienna-New York budget dynamics as explained by the Secretariat on October 9, Washington may want to consider supporting the EU and G-77 proposal to request a greater allocation from New York for UNODC's regular budget. Such request appears unlikely to bear fruit, but the USG could garner some political goodwill among the EU and G-77-plus China that we could leverage towards other FinGov goals. END SUMMARY.

THE SECRETARIAT DEFINES "CORE"

2. (U) At Cuba's request, the Secretariat prepared and distributed a non-paper on UNODC's core activities and functions. (Non-paper e-mailed to Department on 10/3.) The paper notes the difficulty of such definition and cited previous comments and recommendations by other UN offices, including the ACABQ, not to pursue such definitions. As a result of such difficulties, the Secretariat paper presents four options for defining "core," asking member states to choose the option. The funds required for the "core" activities as defined by the four options are as follows, based on the 2008-2009 biennium budget of \$331.8 million:

(i) Multilateral core - activities/programs mandated by the two Commissions (CND and CCPCJ) and the UNGA, e.g., resolutions adopted in these three venues. Using this definition, "core" activities totaled \$63.8 million

(ii) Critical Functions of a Continuing Nature (no field offices) - \$61.1 million.

(iii) Critical Functions of a Continuing Nature, including Field

Offices -- \$104.4 million

(iv) Critical Functions of a continuing nature including field offices and other activities --\$145.5 million.

CUBA SURPRISES

13. (U) While agreeing with ACABQ's position that it is not for FinGov to define "core" and "non-core" activities/functions, Cuba pressed the Secretariat to provide details on non-core activities/functions. Several other delegations and the Namibian chair, expressed their surprise privately to Counselor after the meeting, regarding what appeared to be a change in Cuba's position. However, G-77 chair Pakistan explained that Cuba, which had previously requested the Secretariat to provide a list of UNODC's "core" activities, was dissatisfied with the Secretariat paper, and wanted more details. UNODC agreed to provide more details.

G-77 PLUS CHINA GROUP: REGULAR BUDGET FOR CORE FUNCTIONS AND NO BUDGET MANTRA

14. (U) The G-77 Group requested a definition of "core" functions which it argued should be funded from the regular budget. The Group opposed the inclusion of the budgetary mantra (e.g., "subject to extra budgetary resources," "within existing resources.") in resolutions. It proposed adopting a thematic approach to programming, creating a budgetary and programmatic oversight mechanism similar to the ACABQ, and giving the Independent

Evaluation Unit (IEU) financial and "administrative independence." On governance the Group seeks, among other things, a regular consultation mechanism, abolition of donor-only consultations, and authority for inter-sessionals to perform oversight and strategic management functions.

THE EU - GOVERNANCE FIRST, THEN FINANCE

15. (U) The EU submitted seven proposals, the foremost of which is establishing a regular mechanism, to assist the two Commissions, to deal with "budget and strategic policy issues." The EU statement reflected a balancing act between those more supportive of Costa and other states like Sweden and Germany that wanted to take on serious management shortcomings. Such a mechanism should meet regularly, be open-ended, have clear terms of reference, and should make recommendations. The EU refers to "complementary bodies" other UN organizations have adopted to deal with budget and overarching/strategic issues, and implies that they could be models for UNODC. On the finance side, the EU advocates clear and transparent reporting on the use of the GPF, a thematic approach to programs, better reporting on programs, strengthening the IEU, broadening the donor base and merging the crime and drug funds. The co-chairs described the EU and G-77 positions as having much common ground.

NORWAY - MORE REGULAR RESOURCES THAN MEETS THE EYE

16. (U) Norway expressed support for EU and G-77 on establishing a regular mechanism on governance, as long as it is within UNODC's mandate. As one of the largest donors to the GPF, Norway's frustration with its inability to broaden the donor base for the GPF has led to its decision to reduce its share of contributions to the GPF. (Note: According to Norway, it contributed 13%, and three Nordic countries contributed more than 33%, to the GPF in 2006-7. End Note.) One important point made by Norway is that its analysis of the UNOV budget, which funds certain UNODC functions, indicated that UNODC's real regular budget is closer to USD 50 million rather than the USD 37 million it states in its 2008-2009 biennium budget.

CANADA - DEFENDING FINANCE MANTRA

¶17. (U) Canada would not support any request to increase UNODC's share of the regular UN budget without UNODC providing a detailed justification of its financial needs and a clear explanation of the Secretariat's core activities and the cost of those activities. However, it expressed a willingness to discuss alternative funding models which will give more predictability and stability to UNODC's finances. Canada defended the inclusion of the financial mantra ("subject to extra-budgetary resources") in resolutions, and underscored its view that UNGA resolutions (cited in the G-77 paper) did not prevent the use of such language, noting that the use of extra-budgetary resources is common in many UN bodies. While agreeing with the need to improve governance, Canada stressed that any mechanism should be informal and open-ended, should not cause any major institutional change, nor make decision on overarching strategic policy issues, nor micro-manage UNODC.

JAPAN - NO INCREASE IN un REGULAR BUDGET AND NO PBIs

¶18. (U) Japan expressed understanding of others' insistence on the "necessity of reviewing the regular budget." However, it emphasized the importance of maintaining the "financial discipline of the UN system as a whole." In Japan's view, the review of UNODC's regular budget must not affect the total UN budget "in any form" nor create any additional program budget implications (PBIs). Based on this view, Japan considered it "critical and necessary" to have "financial mantra" in order to avoid PBIs. While supporting the need for improved governance, Japan is of the view that any discussion should be informal and open-ended, and should make use of existing mechanism such as the FinGov Working Group.

AUSTRALIA - MORE TRANSPARENCY AND ACCOUNTABILITY

¶19. (U) Australia listed its principles on the FinGov WG. It advocated greater transparency and accountability of UNODC's funding and operations and greater focus on UNODC working as part of the One-UN initiative, and with other partners. It also urged using first existing structures to improve governance and finance, but appeared open to new alternatives. Australia does not oppose

increasing the regular budget per se, but does require thorough justification. It expressed support for larger thematic/geographic approach to programming, and urged greater consultation with donors and recipients on developing such programs.

GRULAC - VOLUNTARY CONTRIBUTIONS IMPORTANT

¶10. (U) Venezuela, speaking on behalf of GRULAC, expressed the Group's support for G-77. GRULAC wants more than 1 percent of the UN general budget to be allocated to UNODC, but does not want to discourage voluntary contributions. The Group also urged first focusing on financial resources to implement mandates from resolutions. It expressed belief in "creative" resolutions, and correlations between priorities and funds. GRULAC is also seeking better representation on UNODC's staff, and more communications between UNODC and Vienna missions.

OTHERS - TURKEY, RUSSIA, AND EGYPT

¶11. (U) Turkey associated itself with the EU paper, but objected specifically to the Para 17 of the paper, which proposed the consolidation of the drug and crime funds. Turkey opposed such "premature" consolidation, and stated that it has a more flexible position. Turkey was also of the view that there were "many shared points" between the EU and the G-77 paper.

¶12. (U) Russia noted that RB (Budget and finance) is within the

competence of the 5th committee, and there is need to "refine" ways to the GA. Russia also commented that UNODC paper on core functions indicated that Secretariat did not seem to have a "unified position" on "core" definition. It asked for more detailed information on regional offices involved in "core functions." It also urged closer examination of program support charges (PSCs) because they could affect final decisions on the regular budget. It expressed support for regular, open-ended consultations, and pledged to be constructive in the discussions.

¶13. (U) Egypt "echoed" the request for more information on "core" activities. Egypt said that different models presented in the Secretariat paper should be translated into the posts/ positions in each division, e.g., how many posts/positions, and which kind of posts/positions.

CO-CHAIRS ANNOUNCE NEXT MEETINGS, CLARIFY U.S. QUESTION

¶14. (U) The Namibian chair expressed satisfaction that she was encouraged by the "common ground" she had heard in the meeting. She announced that there would be eight more meetings, four during the October 23-24 period, and four during the November 27-28 period. The dates are based on the availability of conference rooms. If necessary, the Chair is prepared to program additional day/s. (Note: November 27 is Thanksgiving. Counselor will raise this with the Chairs. End Note.) Based on the input received, the chair would draft and circulate a "concept paper" before the October 23-24 meeting.

¶15. (U) In their concluding comments, the co-chairs referred to FinGov's "recommendation" to the Secretariat to ask ACABQ for a greater share of the UN budget. U.S. sought and received clarification that member states had not agreed to such a move. Co-chair Sweden explained that that was one of the possible outcomes for the Group.

OCTOBER 9, MORE CONSULTATIONS ON "CORE"

¶16. (U) The Namibian chair convened an informal meeting on October 9 to try to resolve the issue on the definition of "core" activities. UNODC's finance chief and key member states were invited to participate. This included U.S., Japan, Australia, Canada, a number of EU countries, Russia, Pakistan, Egypt and Cuba. The three G-77 countries argued forcefully that the Secretariat, not the member states, should define "core" activities, and in terms of the number of posts/positions. Egypt noted that UNODC funds certain posts/positions out of regular budget, others out of GPF, and still others out of SPF. So he reasoned that UNODC had already gone through some definition of "core," and should share how it made these determinations with member states. Both the Secretariat and the Swedish co-chair explained that such allocations of position had a historical background, going back to the days when there were two separate drug and crime offices. Therefore the funding allocation might not be as logical as one would like. Counselor made the point in reftel, urging that the focus should not be on definition, but on

how to find more creative and strategic funding that would give greater flexibility. Japan agreed with "previous speakers" on the difficulty of the definition. Canada commented that it might be impossible for the Secretariat to define "core."

¶17. (U) UNODC's finance chief pointed out some realities of the UN budgeting system. He said that the Secretary General (SecGen) presents a budget proposal that determines UN priorities. The SecGen has just requested the UNODC to identify savings. Therefore, he said, the push for higher allocation of the UN overall budget pie would conflict with the SecGen's request. He also noted that New York will not support an increase in regular budget to support conventions. Such support should come from states that are parties to the conventions, not the UN, since the UN and Conventions have different memberships. He said that currently the UNODC funds conventions (e.g., the COSP in Bali, the current COP) as special projects. What the UNODC seeks, he said, is not more regular budget, but assured and predictable GPF. He also stated that the

FinGov should not get to the level of detail on posts/positions.

¶18. (U) In response to the U.S. question on the UNOV budget, especially in light of Norway's statement on October 7, he replied that the USD 39 million in regular budget funds it receives from UNOV supports about USD 230 million in programs (conference services, security, etc.) in Vienna, including those of UNODC, UNCITRAL, OOSA, UNROD, etc. In his view, perhaps 15% of this USD 39 million can be classified as for UNODC only.

COMMENT

¶19. (SBU) Vienna's G-77-plus China Group seems to believe that New York would grant more money to UNODC if the member states request it. At the October 9 informal, the three G-77 members seemed taken aback by the revelations of the UNODC finance chief on the apparent conflict between what the G-77 wants and what the SecGen wants. We think Japan expressed "understanding" of the G-77 insistence on augmenting the regular budget, in the full expectation it probably would not go far. If this is indeed the case, Mission would urge Washington to consider supporting the G-77 position to request New York for a greater slice of the UN budget pie. Given the SecGen's overall priority-setting, as explained by the UNODC in the October 9 meeting, higher allocation for the UNODC would not be likely. In that case, we would risk little in agreeing to the principle that UNODC should be better resourced from New York, while gaining ourselves some political capital with the G-77 and the EU that we can use in the future. END COMMENT.

PYATT